

Kurita Water Industries Reports Earnings for the Three Months Ended June 30, 2022

Tokyo, Japan, July 29, 2022 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 74,660 million yen and profit attributable to owners of parent of 4,865 million yen, or 43.29 yen per share, for the three months ended June 30, 2022 (April 1, 2022 - June 30, 2022).

Results of Operations

Total consolidated orders for the Kurita Group (the “Group”) in the three months ended June 30, 2022 rose 29.0% from the level of the year-ago period, to 100,109 million yen, and net sales increased 18.1%, to 74,660 million yen. Business profit* increased 7.6%, to 6,321 million yen, operating profit was 6,378 million yen, up 9.7% versus the year-ago period, profit before tax was 7,325 million yen, rising 30.1%, and profit attributable to owners of parent amounted to 4,865 million yen, up 30.1%.

In the first quarter under review, the Company underwrote a capital increase at Kurita America Holdings Inc. to help it acquire additional shares in US-based subsidiary Pentagon Technologies Group, Inc. (Water Treatment Facilities business) (and make it a wholly owned subsidiary) and completed the payment. The significant increases in profit before tax and profit attributable to owners of parent reflect a gain on derivatives transactions of 1,090 million yen, which was posted in finance income, from a foreign exchange contract the Company entered into after deciding to underwrite the capital increase.

In the first quarter under review, the global economy was recovering moderately. However, uncertainty increased, reflecting continued disruption in supply chains and sharp rises in prices of raw materials and energy chiefly due to an increase in geopolitical risk and the resurgence in COVID-19 cases. Production activities in the manufacturing industry in Japan were weak in certain sectors chiefly due to constraints on the supply of raw materials caused mainly by semiconductor shortages and lockdowns in China, but there remained signs of a recovery in capital investment. Overseas, the U.S. economy was firm, and there were signs of a recovery in Europe and Asian countries excluding China. Meanwhile, the Chinese economy slowed due to lockdowns and movement restrictions to block the spread of COVID-19.

In this environment, the Group stepped up initiatives to propose total solutions that would help solve customer issues such as the reduction of the environmental impact, including water saving, the reduction of CO2 emissions and waste reduction, and an improvement in productivity, while expanding the CSV (creating shared value) business based on a deep understanding of social and customer issues, aiming to address climate change and create value shared with society.

*Business profit is the Group’s own indicator that measures constant business performance. It is net sales less cost of sales and selling, general and administrative expenses. Although business profit is not defined by IFRS, the Group voluntarily discloses it, believing that it is beneficial for users of its financial statements.

Segment Information

The Group consists of two reportable segments in its segment information: Water Treatment Chemicals and Water Treatment Facilities.

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment were 33,699 million yen, up 15.3% versus the year-ago period, while net sales rose 16.4%, to 32,465 million yen.

In terms of profits, business profit amounted to 3,427 million yen, an increase of 5.9% year on year, and operating profit rose to 3,646 million yen, up 12.9% year on year, chiefly due to an increase in net sales, which more than offset a rise in raw materials costs and other expenses.

In Japan, orders remained flat, reflecting the absence of orders for large one-time projects posted in the same period of the previous fiscal year. Net sales rose.

Overseas, both orders and net sales increased, reflecting sales price increases in response to sharp rises in raw materials prices and logistics costs and an increase in results in yen at overseas subsidiaries due to the weaker yen.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 66,410 million yen, up 37.3% versus the same period of the previous fiscal year. Net sales increased 19.5%, to 42,194 million yen.

In terms of profits, business profit amounted to 2,892 million yen, an increase of 9.1% year on year, and operating profit rose to 2,732 million yen, up 5.4% year on year, chiefly due to an increase in net sales.

In Japan, both orders and net sales of water treatment facilities for the electronics industry increased due to the posting of orders for large projects and sales from the order backlog. Orders and net sales for maintenance services for the industry both increased, reflecting the expansion of facilities and the posting of orders for and sales from repairs, including the replacement of consumables, against a backdrop of firm capacity utilization at customers' plants.

Orders and net sales of water treatment facilities for general industries both increased. Orders and net sales of maintenance services for the industry both increased because of the recovery in maintenance demand. Orders for water treatment facilities for the electric power industry remained flat. Net sales fell as the posting of sales from large projects had run its course. Orders and net sales of soil remediation services increased, reflecting demand for small and medium-sized projects.

Overseas, both orders and net sales increased due to an increase in results in yen at overseas subsidiaries associated with the weaker yen, the posting of orders and sales of large water treatment facilities projects in the electronics industry in East Asia and an increase in sales of tool cleaning services.

Total net sales in the ultrapure water supply business in Japan and overseas increased mainly due to the contribution of a contract that began in the previous fiscal year.

Financial Condition

Condition of assets, liabilities and equity

1) Total assets: 482,337 million yen, an increase of 12,356 million yen from the end of the previous fiscal year

Current assets totaled 177,453 million yen at the end of the first quarter, a decrease of 943 million yen from the end of the previous fiscal year. This was mainly due to decreases in other current assets and trade and other receivables of 2,942 million yen and 869 million yen, respectively, offsetting an increase in inventories of 2,711 million yen.

Non-current assets totaled 304,883 million yen at the end of the first quarter, an increase of 13,298 million yen from the end of the previous fiscal year. Property, plant and equipment increased 6,574 million yen chiefly due to the acquisition of new facilities in the ultrapure water supply business (Water Treatment Facilities business), and goodwill rose 5,902 million yen due to the weakening of the yen against other currencies.

2) Liabilities: 194,231 million yen, an increase of 2,112 million yen from the end of the previous fiscal year

Current liabilities totaled 106,150 million yen at the end of the period, a decrease of 7,777 million yen from the end of the previous fiscal year. This is chiefly attributable to a decrease of 19,613 million yen in other financial liabilities due to the implementation of the forward contract concluded with the non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business) and decrease in trade and other payables and income taxes payable of 5,379 million yen and 5,103 million yen, respectively, which were partially offset by an increase of 22,735 million yen in bonds and borrowings chiefly due to the issuance of commercial paper.

Non-current liabilities totaled 88,080 million yen at the end of the period, an increase of 9,889 million yen from the end of the previous fiscal year. This principally reflected an increase in bonds

and borrowings of 9,947 million yen mainly due to the issuance of the second series of unsecured bonds (10,000 million yen).

3) Equity: 288,106 million yen, an increase of 10,244 million yen from the end of the previous fiscal year

This was attributable chiefly to an increase of 9,732 million yen in other components of equity mainly due to the posting of exchange differences on translation of foreign operations, reflecting the weakening of the yen against other currencies.

Cash Flows

Consolidated cash and cash equivalents at the end of the first quarter (June 30, 2022) totaled 45,472 million yen, a decrease of 258 million yen from the end of the previous fiscal year (March 31, 2022).

The various cash flows and related factors are outlined below.

1) Cash Flows from Operating Activities

Net cash provided by operating activities during the first quarter ended June 30, 2022 totaled 10,941 million yen, an increase of 6,844 million yen from the same period of the previous fiscal year. This was chiefly due to inflows from profit before tax of 7,325 million yen, depreciation and amortization of 6,839 million yen, and Other of 5,188 million yen, which were partially offset by outflows, including income taxes paid of 7,297 million yen. The inflow from Other was chiefly due to a decrease in consumption taxes refund receivable.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 16,554 million yen, an increase of 5,528 million yen from the same period of the previous fiscal year. Cash was used mainly for purchases of property, plant and equipment of 16,108 million yen.

3) Cash Flows from Financing Activities

Net cash provided by financing activities totaled 4,760 million yen, an increase of 8,678 million yen from the previous fiscal year. Inflows chiefly from a net increase in short-term borrowings and commercial paper of 22,618 million yen and proceeds from the issuance of bonds of 9,955 million yen were partly offset by the purchase of shares of subsidiaries not resulting in change in scope of consolidation of 22,051 million yen and dividends paid of 4,072 million yen.

The Group's basic policy is to constantly secure the liquidity necessary for business operations and establish a stable funds-raising system. Short-term working capital is basically supplied by the Group's own funds. Capital investment and other investments in growth fields depend chiefly on the Group's own funds, but the Group considers financing through bond markets and bank loans as needed. As of the end of the period under review, the Group has concluded commitment line contracts with one financial institution (no borrowing executed and unexecuted borrowings within the commitment line was 20,000 million yen).

Forecasts for the Fiscal Year Ending March 31, 2023

Of the Company's forecasts of consolidated results for the first half of the fiscal year ending March 31, 2023 and for the full year stated in the Earnings for the Fiscal Year Ended March 31, 2022, released on May 6, 2022, the Company revises the net sales forecasts for the first half of the fiscal year ending March 31 and net sales forecasts for the fiscal year ending March 31. In doing so, it takes into consideration an expected rise in net sales at overseas subsidiaries in yen because of the weaker yen, as well as expected sales from the large water treatment facilities projects for the electronics industry in Asia for which orders were received in the first quarter, which were not factored into the forecasts, to be recorded in or after the first six months of the fiscal year under review. The consolidated profit forecasts are left unchanged because of uncertainty about the effects of sharp rises in raw materials prices and in distribution costs worldwide.

Regarding the impact of COVID-19, while it is difficult to rationally estimate how COVID-19 will spread and when it will subside, the Company assumes that economic activities will normalize and the economy will recover moderately.

The business forecasts are made by the Company based on information available at the time of publication of this report and may differ from actual results due to changes in a range of factors.

Revision to the consolidated business forecast for the first half of the fiscal year ending March 31, 2023 (April 1, 2022 - September 30, 2022)

	Net sales	Business profit	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	153,500	17,300	16,600	16,600	11,200	99.66
Revised forecast (B)	160,500	17,300	16,600	16,600	11,200	99.66
Change (B-A)	7,000	0	0	0	0	—
Percentage change (%)	4.6	0.0	0.0	0.0	0.0	—
(Reference) Previous year (First half of year ended March 31, 2022)	135,239	14,883	14,749	11,161	5,705	50.78

Revision to the consolidated business forecast for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

	Net sales	Business profit	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	325,000	38,000	36,500	36,500	25,700	228.69
Revised forecast (B)	338,000	38,000	36,500	36,500	25,700	228.69
Change (B-A)	13,000	0	0	0	0	—
Percentage change (%)	4.0	0.0	0.0	0.0	0.0	—
(Reference) Previous year (Year ended March 31, 2022)	288,207	32,944	35,734	30,079	18,471	164.38

Condensed quarterly consolidated financial statements

(1) Condensed quarterly consolidated statement of financial position

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	45,730	45,472
Trade and other receivables	108,892	108,023
Other financial assets	3,075	3,491
Inventories	13,132	15,843
Other current assets	7,564	4,622
Total current assets	178,396	177,453
Non-current assets		
Property, plant and equipment	161,034	167,608
Right-of-use assets	19,042	19,038
Goodwill	62,992	68,894
Intangible assets	18,092	18,714
Investments accounted for using equity method	1,191	1,275
Other financial assets	23,011	23,128
Deferred tax assets	6,071	6,057
Other non-current assets	150	166
Total non-current assets	291,585	304,883
Total assets	469,981	482,337

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	57,967	52,588
Bonds and borrowings	8,180	30,915
Lease liabilities	4,683	4,628
Other financial liabilities	19,613	–
Income taxes payable	8,663	3,560
Provisions	1,529	1,146
Other current liabilities	13,289	13,310
Total current liabilities	113,927	106,150
Non-current liabilities		
Bonds and borrowings	30,953	40,900
Lease liabilities	14,862	14,900
Other financial liabilities	1,757	2,023
Net defined benefit liability	18,144	18,502
Provisions	2,335	2,336
Deferred tax liabilities	2,646	2,484
Other non-current liabilities	7,491	6,930
Total non-current liabilities	78,191	88,080
Total liabilities	192,119	194,231
Equity		
Share capital	13,450	13,450
Capital surplus	(3,076)	(134)
Treasury shares	(10,694)	(10,694)
Other components of equity	12,161	21,893
Retained earnings	260,073	260,946
Equity attributable to owners of parent	271,914	285,462
Non-controlling interests	5,948	2,643
Total equity	277,862	288,106
Total liabilities and equity	469,981	482,337

(2) Condensed quarterly consolidated statement of profit or loss

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	63,199	74,660
Cost of sales	39,713	48,455
Gross profit	23,486	26,204
Selling, general and administrative expenses	17,613	19,883
Other income	312	514
Other expenses	369	456
Operating profit	5,816	6,378
Finance income	197	1,312
Finance costs	449	402
Share of profit (loss) of investments accounted for using equity method	66	36
Profit before tax	5,630	7,325
Income tax expense	1,681	2,153
Profit for the period	3,949	5,172
Profit attributable to		
Owners of parent	3,740	4,865
Non-controlling interests	208	306
Profit for the period	3,949	5,172
Earnings per share		
Basic earnings per share (yen)	33.29	43.29
Diluted earnings per share (yen)	—	—

(3) Condensed quarterly consolidated statement of comprehensive income

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit for the period	3,949	5,172
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in the fair value of financial assets measured at fair value through other comprehensive income	(1,305)	51
Remeasurements of defined benefit plans	4	53
Total of items that will not be reclassified to profit or loss	(1,300)	104
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	440	8,734
Cash flow hedges	(14)	106
Share of other comprehensive income of investments accounted for using equity method	27	46
Total of items that may be reclassified to profit or loss	452	8,887
Other comprehensive income, net of tax	(848)	8,992
Comprehensive income for the period	3,100	14,165
Comprehensive income attributable to		
Owners of parent	2,895	12,855
Non-controlling interests	205	1,309
Comprehensive income for the period	3,100	14,165

(4) Condensed quarterly consolidated statement of changes in equity

Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021	13,450	(2,212)	(10,787)	(4,469)	(91)	13,060
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	470	(14)	(1,305)
Total comprehensive income for the period	—	—	—	470	(14)	(1,305)
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	6	—	—	—	—
Changes in ownership interests in subsidiaries	—	—	—	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—
Other	—	0	—	—	—	—
Total transactions with owners	—	6	(0)	—	—	—
Balance as of June 30, 2021	13,450	(2,206)	(10,788)	(3,998)	(105)	11,755

(Million yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2021	–	8,500	244,138	253,089	4,748	257,837
Profit for the period	–	–	3,740	3,740	208	3,949
Other comprehensive income	4	(845)	–	(845)	(2)	(848)
Total comprehensive income for the period	4	(845)	3,740	2,895	205	3,100
Purchase of treasury shares	–	–	–	(0)	–	(0)
Dividends	–	–	(3,819)	(3,819)	(6)	(3,825)
Share-based payment transactions	–	–	–	6	(2)	4
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Increase (decrease) by business combination	–	–	–	–	274	274
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	(4)	(4)	4	–	–	–
Other	–	–	(0)	0	–	0
Total transactions with owners	(4)	(4)	(3,814)	(3,814)	266	(3,547)
Balance as of June 30, 2021	–	7,650	244,063	252,170	5,220	257,391

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2022	13,450	(3,076)	(10,694)	3,493	40	8,627
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	7,778	106	51
Total comprehensive income for the period	—	—	—	7,778	106	51
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	(8)	—	—	—	—
Changes in ownership interests in subsidiaries	—	(19,233)	—	1,796	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	22,051	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—
Other	—	132	—	—	—	—
Total transactions with owners	—	2,942	(0)	1,796	—	—
Balance as of June 30, 2022	13,450	(134)	(10,694)	13,068	146	8,678

(Million yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2022	–	12,161	260,073	271,914	5,948	277,862
Profit for the period	–	–	4,865	4,865	306	5,172
Other comprehensive income	53	7,989	–	7,989	1,003	8,992
Total comprehensive income for the period	53	7,989	4,865	12,855	1,309	14,165
Purchase of treasury shares	–	–	–	(0)	–	(0)
Dividends	–	–	(4,045)	(4,045)	–	(4,045)
Share-based payment transactions	–	–	–	(8)	0	(7)
Changes in ownership interests in subsidiaries	–	1,796	–	(17,437)	(4,614)	(22,051)
Increase (decrease) by business combination	–	–	–	–	–	–
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	22,051	–	22,051
Transfer from other components of equity to retained earnings	(53)	(53)	53	–	–	–
Other	–	–	(0)	132	–	132
Total transactions with owners	(53)	1,742	(3,992)	692	(4,614)	(3,921)
Balance as of June 30, 2022	–	21,893	260,946	285,462	2,643	288,106

(5) Condensed quarterly consolidated statement of cash flows

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Profit before tax	5,630	7,325
Depreciation and amortization	5,606	6,839
Share of loss (profit) of investments accounted for using equity method	(66)	(36)
Loss (gain) on sale of fixed assets	(24)	(17)
Decrease (increase) in inventories	(419)	(1,921)
Decrease (increase) in trade and other receivables	3,281	3,204
Increase (decrease) in trade and other payables	(2,210)	(2,518)
Other	(396)	5,188
Subtotal	11,399	18,063
Interest received	19	48
Dividends received	367	147
Interest paid	(31)	(20)
Income taxes paid	(7,657)	(7,297)
Net cash provided by (used in) operating activities	4,097	10,941
Cash flows from investing activities		
Payments into time deposits	(415)	(376)
Proceeds from withdrawal of time deposits	425	208
Purchase of property, plant and equipment	(7,967)	(16,108)
Proceeds from sale of property, plant and equipment	91	64
Purchase of intangible assets	(507)	(319)
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(2,611)	–
Other	(41)	(21)
Net cash provided by (used in) investing activities	(11,026)	(16,554)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	1,259	22,618
Proceeds from issuance of bonds	–	9,955
Repayments of long-term borrowings	(132)	(272)
Repayments of lease liabilities	(1,253)	(1,417)
Dividends paid	(3,847)	(4,072)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(22,051)
Other	54	(0)
Net cash provided by (used in) financing activities	(3,918)	4,760
Effect of exchange rate changes on cash and cash equivalents	209	594
Net increase (decrease) in cash and cash equivalents	(10,638)	(258)
Cash and cash equivalents at beginning of period	62,228	45,730
Cash and cash equivalents at end of period	51,590	45,472

Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

Not applicable

(Segment Information)

(1) Overview of reportable segments

The Company's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic review to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Group plans comprehensive strategies for the products that it handles in Japan and overseas, and develops a business. The Group's operations are therefore classified into two reportable segments, the Water Treatment Chemicals segment and the Water Treatment Facilities segment.

The Water Treatment Chemicals segment manufactures and sells water treatment chemicals and equipment and provides maintenance services. The Water Treatment Facilities segment manufactures and sells water treatment system and facilities, supplies ultrapure water, chemical cleaning, tool cleaning, soil and groundwater remediation services, and provides maintenance services that encompass operation, maintenance, and management of water treatment facilities.

(2) Information of reportable segments

Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Net sales					
Sales to outside customers	27,901	35,297	63,199	–	63,199
Inter-segment sales and transfers	90	153	243	(243)	–
Total	27,991	35,451	63,443	(243)	63,199
Segment income	3,230	2,591	5,822	(6)	5,816
Finance income					197
Finance costs					449
Share of profit (loss) of investments accounted for using equity method					66
Profit before tax					5,630

(Notes) 1. Segment income: Amount resulting from eliminations of inter-segment transactions.

2. Segment income is shown at the operating profit level.

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Net sales					
Sales to outside customers	32,465	42,194	74,660	–	74,660
Inter-segment sales and transfers	108	170	279	(279)	–
Total	32,574	42,365	74,939	(279)	74,660
Segment income	3,646	2,732	6,379	(0)	6,378
Finance income					1,312
Finance costs					402
Share of profit (loss) of investments accounted for using equity method					36
Profit before tax					7,325

(Notes) 1. Segment income: Amount resulting from eliminations of inter-segment transactions.

2. Segment income is shown at the operating profit level.

(Bonds)

Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

No bonds were issued or redeemed.

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

The bonds issued are described below.

Name	Issue	Issue date	Total amount issued (million yen)	Interest rate (%)	Redemption period
The Company	Second series of unsecured bonds	May 26, 2022	10,000	0.29	May 26, 2027

No bonds were redeemed.

(Finance income)

Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

Information is omitted because there were no important events.

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

In the first quarter under review, a gain on derivatives transactions of 1,090 million yen was recorded in finance income. This is income from a foreign exchange contract that the Company entered into after deciding to underwrite a capital increase in Kurita America Holdings Inc.

(Additional Information)

(Acquisition of additional shares in a subsidiary)

The forward contract on a share transfer concluded between Kurita America Holdings Inc. and the non-controlling shareholders of Pentagon Technologies Group, Inc. was implemented on June 30, 2022, and Kurita America Holdings acquired an additional 49% stake in Pentagon Technologies Group, Inc. As a result, Pentagon Technologies Group, Inc. has become a wholly owned subsidiary of the Group.

The value of additional shares acquired was 161 million US dollars (22,051 million yen). The amount is posted under the purchase of shares of subsidiaries not resulting in change in scope of consolidation in cash flows from financing activities in the condensed quarterly consolidated statement of cash flows. In connection with the posting of purchase of shares of subsidiaries, liabilities related to the forward contract concluded with the non-controlling shareholders posted as financial liabilities of 19,613 million yen in the previous fiscal year was eliminated, non-controlling interests declined 4,614 million yen, and the capital surplus increased 2,818 million yen.

Disclaimer

- This document is an English translation of the Earnings Report for the Three Months Ended June 30, 2022 as reference information primarily for overseas investors. If there are any discrepancies between the Japanese version and the English version, the Japanese version shall take precedence in all cases.
- This document is not subject to audit.
- The forward-looking statements such as performance forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable, and are not intended to be a commitment by the Company. Actual performance, etc. may differ due to a variety of factors. See "Forecasts for the Fiscal Year Ending March 31, 2023" on page 4 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.